

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0738-01  
Bill No.: HB 145  
Subject: Drugs and Controlled Substances; Health Care; Insurance - Medical  
Type: Original  
Date: February 23, 2001

---

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON STATE FUNDS</b>                          |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED   | FY 2002            | FY 2003            | FY 2004            |
| General Revenue   | (\$764,820)        | (\$917,783)        | (\$917,783)        |
| Insurance Dedicated   | \$10,000           | \$0                | \$0                |
| <b>Total Estimated<br/>Net Effect on <u>All</u><br/>State Funds</b> | <b>(\$754,820)</b> | <b>(\$917,783)</b> | <b>(\$917,783)</b> |

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                           |            |            |            |
|--|------------|------------|------------|
| FUND AFFECTED  | FY 2002    | FY 2003    | FY 2004    |
| Federal  | \$0        | \$0        | \$0        |
|  |            |            |            |
| <b>Total Estimated<br/>Net Effect on <u>All</u><br/>Federal Funds*</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

**\*Revenues and expenditures of approximately \$2.4 million annually net to \$0.**

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |            |            |            |
|--|------------|------------|------------|
| FUND AFFECTED                              | FY 2002    | FY 2003    | FY 2004    |
| <b>Local Government</b>                    | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

---

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Public Safety - Missouri State Highway Patrol**, the **Department of Conservation**, and the **Department of Transportation** assume this proposal would not fiscally impact their agencies.

**Department of Insurance (INS)** officials state that health insurers and HMOs would be required to amend policy forms in order to comply with this proposal. INS states that they anticipate that current appropriations and staff would be able to absorb the work for implementation of this proposal. However, if additional proposals are approved during the legislative session, INS may need to request an increase in appropriations due to the combined effect of multiple proposals. INS states there are 171 health insurers and 29 HMOs that offer health insurance coverage. INS states that of the health insurers, many offer coverage through out-of-state trusts which are not typically subject to such mandates. INS estimates that 171 health insurers and 29 HMOs would each submit one policy form amendment resulting in revenues of \$10,000 to the Insurance Dedicated Fund. If multiple proposals pass during the legislative session which would require form amendments to be filed, the insurers would probably file one amendment for all required mandates. INS states this would result in increased revenue of \$10,000 for all proposals.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the proposal would change the allowable supply of medication to be received by certain enrollees through a pharmaceutical plan and would require collection agencies to be informed when payments are made on a patient's account. HCP states their plans provide for a 90-day supply of medications in two ways. First, the member can obtain formulary drugs through mail order. A 90-day mail order supply can usually be obtained for two co-payments. Members can also receive a 90-day supply of a formulary drug from their local pharmacy, if the pharmacy agrees to accept two times the co-payment as payment from the member. (Referenced in 20CSR 400-7.400) HCP is assuming this proposal does not require all (formulary and non-formulary) drugs to be covered under the prescription benefit but allows for an avenue for member to receive a formulary drug for 90-days. With this assumption in mind, this portion of the proposal would not have a fiscal impact on HCP. The second part of this proposal would require physicians to notify collection agencies on payments made on accounts. This portion of the proposal would not have a fiscal impact on HCP.

**Department of Social Services - Division of Medical Services (DMS)** officials state they implemented a 31-day maximum supply restriction for all prescriptions dispensed on or after December 1, 2000 at the direction of the legislature. DMS estimated annual savings of \$2.18 million. DMS states the proposal would require DMS to rescind the current policy.

DMS states that in regard to managed care, DMS assumed that there would be additional cost .

ASSUMPTION (continued)

DMS assumed that the cost would be at the same rate as the fee-for-service (FFS). The FFS pharmacy appropriation is expected to be \$700 million in FY 2001. Based on this, DMS assumes that the cost would be .31% of the FFS cost. The managed care appropriation is expected to be \$439 million for FY 2001. DMS assumes that approximately 13% of managed care payments are for pharmacy costs. DMS calculates this to be \$57,070,000 (\$439,000,000 x 13%). The managed care costs are then calculated by multiplying the pharmacy component of managed care (\$57,070,000) by the .31% which results in \$176,917.

DMS estimates the total annual fiscal impact to be \$2,356,917 (\$2,180,000 + \$176,917).

DMS states this proposal would also impact the prior authorizations that are currently being done by DMS. Some of the prior authorizations were implemented at the direction of the legislature. Often the prior authorization criteria would apply to a quantity/day supply component. DMS is unable to determine the extent of the reduction in savings at this time.

|   |                     |         |         |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2002<br>(10 Mo.) | FY 2003 | FY 2004 |
|---|---------------------|---------|---------|

**GENERAL REVENUE FUND**

Costs - Department of Social Services -  
 Division of Medical Services

|                          |                    |                    |                    |
|--------------------------|--------------------|--------------------|--------------------|
| Increased pharmacy costs | <u>(\$764,820)</u> | <u>(\$917,783)</u> | <u>(\$917,783)</u> |
|--------------------------|--------------------|--------------------|--------------------|

|   |                           |                           |                           |
|---|---------------------------|---------------------------|---------------------------|
| <b>ESTIMATED NET EFFECT ON<br/>GENERAL REVENUE FUND</b> | <b><u>(\$764,820)</u></b> | <b><u>(\$917,783)</u></b> | <b><u>(\$917,783)</u></b> |
|---|---------------------------|---------------------------|---------------------------|

**INSURANCE DEDICATED FUND**

Income - Department of Insurance

|                  |                 |            |            |
|------------------|-----------------|------------|------------|
| Form filing fees | <u>\$10,000</u> | <u>\$0</u> | <u>\$0</u> |
|------------------|-----------------|------------|------------|

|   |                        |                   |                   |
|---|------------------------|-------------------|-------------------|
| <b>ESTIMATED NET EFFECT ON<br/>INSURANCE DEDICATED FUND</b> | <b><u>\$10,000</u></b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> |
|---|------------------------|-------------------|-------------------|

|   |                     |         |         |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2002<br>(10 Mo.) | FY 2003 | FY 2004 |
|---|---------------------|---------|---------|

**FEDERAL FUNDS**

Income - Department of Social Services -  
 Division of Medical Services

|                         |             |             |             |
|-------------------------|-------------|-------------|-------------|
| Medicaid reimbursements | \$1,199,278 | \$1,439,134 | \$1,439,134 |
|-------------------------|-------------|-------------|-------------|

Costs - Department of Social Services -  
 Division of Medical Services

|                          |                      |                      |                      |
|--------------------------|----------------------|----------------------|----------------------|
| Increased pharmacy costs | <u>(\$1,199,278)</u> | <u>(\$1,439,134)</u> | <u>(\$1,439,134)</u> |
|--------------------------|----------------------|----------------------|----------------------|

**ESTIMATED NET EFFECT ON  
 FEDERAL FUNDS**

|            |            |            |
|------------|------------|------------|
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|------------|------------|------------|

|   |                     |         |         |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2002<br>(10 Mo.) | FY 2003 | FY 2004 |
|---|---------------------|---------|---------|

|            |            |            |
|------------|------------|------------|
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|------------|------------|------------|

FISCAL IMPACT - Small Business

Small businesses could expect to be fiscally impacted due to increased health insurance premiums as a result of the requirements of this proposal.

DESCRIPTION

This proposal would require a health care provider to notify the collection entity of a payment received from a patient, insurance company, or third party if that account was turned over to a collection agency. When an insurance company or other third-party payor is responsible for payment, nonpayment would not be placed on the patient's credit report when the reason for the nonpayment is not caused by the patient. The proposal would also require health carriers offering pharmaceutical coverage to provide enrollees with a 90-day supply of medication that is prescribed by a physician for a chronic illness.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Public Safety  
Missouri State Highway Patrol  
Department of Conservation  
Department of Transportation  
Department of Insurance  
Missouri Consolidated Health Care Plan  
Department of Social Services

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA  
Director

February 23, 2001